

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF THE BOARDMAN-TO- HEMMINGWAY 500-KV TRANSMISSION LINE PROJECT)))))))	CASE NO. PAC-E-23-01 ORDER NO. 35839
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On January 27, 2023, Rocky Mountain Power, a division of PacifiCorp (“Company”) filed an application (“Application”) requesting an order granting a Certificate of Public Convenience and Necessity (“CPCN”) for Energy Gateway Segment H, the Boardman-to-Hemingway 500-kilovolt (“kV”) transmission line (“B2H” or “Project”). The Company represented that it will co-own B2H with Idaho Power Company (“IPC”), which recently filed its own CPCN application for the Project in Case No. IPC-E-23-01.

On February 8, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 35678. Idaho Irrigation Pumpers Association, Inc. (“IIPA”) and Bayer Corporation (“Bayer”) both intervened. Order No. 35686. On April 5, 2023, the Commission issued a Notice of Modified Procedure setting forth comment deadlines. Order No. 35726. On May 4, 2023, the Commission issued a Notice of Customer Hearing, and on June 12, 2023, the Commission held a Customer Hearing in Idaho Falls. Order No. 35769.

APPLICATION

The Company represented that B2H is an approximately 300-mile-long, 500-kV electric transmission line that will extend from a switching station constructed near Boardman, Oregon to the existing Hemingway Substation located in Owyhee County, Idaho. The Company stated that approximately two hundred and seventy-four (274) miles of the transmission line will be in five Oregon counties: Malheur, Baker, Union, Umatilla, and Morrow Counties, and a 24-mile segment of the Project will be in Owyhee County in Idaho.

The Company represented that B2H will also include ten communication stations along the route that are constructed within the right-of way of the transmission line, and B2H will also include the installation of the B2H Midline Series Capacitor Project and development of a remedial action scheme.

The Company represented that B2H enables lower-cost and more reliable transmission service to serve customer load and increases transmission connectivity between PacifiCorp East (“PACE”) and PacifiCorp West (“PACW”) and will enable the Company to cost-effectively, and reliably, serve growing customer load. The Company stated that these benefits primarily result from cost savings in serving load in central Oregon and near the proposed Longhorn substation.

The Company represented that B2H is the most cost-effective means of serving the Company’s load, and that without B2H, the Company would be required to acquire higher-cost generation resources and third-party transmission service, which together would increase customer costs by approximately \$1.713 billion through 2042.

The Company represented that the cost savings are all based on an anticipated 2026 in-service date for B2H. The Company stated that to ensure that the Project can be energized in time for a 2026 in-service date, construction must begin in the summer of 2023. The Company requested that the Commission issue an order on its Application no later than June 30, 2023.

STAFF COMMENTS

Staff reviewed the Company’s Application and responses to discovery requests. Based on its review, Staff believed that the Company needs to increase the capacity of its transmission system to enable it to meet loads across its east and west balancing areas, and that the proposed B2H project is the least-cost, least-risk, solution. Staff recommended that the Commission:

1. grant a CPCN for the Company to construct the B2H transmission line but make recovery contingent on approval of all agreements requiring Commission approval, and the Commission’s determination of prudence of actual costs.
2. direct the Company to include evidence of its pursuit of alternative funding sources for the project when the Company files for recovery.
3. establish a soft cap for the recoverable value of the project, which will be compared to the all-in total B2H costs including non-B2H expenses that may be incurred if B2H fails to stay on schedule and needs to mitigate any capacity shortfalls.
4. direct the Company to provide a detailed breakdown of the soft cap cost components in a subsequent compliance filing, with input from Staff on which components to include.

Project Description

The Application describes B2H and several other infrastructure project agreements that the Company represents are necessary to ensure the full benefits of B2H are realized for each party. Staff presented an inclusive list of the various infrastructure projects categorized by agreement type.

1. The Boardman to Hemingway Transmission Line Project

The primary project seeks to acquire rights of way (“ROW”) and construct approximately 300 miles of 500-kV transmission lines between Boardman, Oregon, and Owyhee County, Idaho. It will also:

- Construct or improve access roads for the transmission line;
- Construct communication regeneration sites along the transmission line;
- Rebuild or remove certain other transmission line segments;
 - Remove 12 miles of 69-kV transmission line;
 - Rebuild 1.1 miles of 138-kV transmission line;
 - Rebuild 0.9 miles of 230-kV transmission line;
- Construct the Longhorn substation;
- Upgrade the Hemingway substation; and
- Construct the Midline Series Capacitor substation.

B2H will be constructed through a partnership between the Company and IPC, in which the Company will fund and own 55.55 percent, and IPC will fund and own 45.45 percent. IPC will be responsible for managing the construction.

2. Central Oregon Agreements

The Company and BPA have negotiated a set of agreements (“Central Oregon Agreements”) that will more effectively support transmission in central Oregon. The major elements are:

- PAC-BPA agreement to revise or establish 15 point-to-point (“PTP”) transmission service tables that will, upon B2H energization, provide PAC with 340 MW of transmission rights from the north, and 340 MW of transmission from Summerlake, to the central Oregon load;
- PAC-BPA agreement for PAC to upgrade the existing Meridian Series Capacitor at the Meridian substation (or an equivalent series capacitor in the Dixonville-Meridian-Klamath Falls-Captain Jack lines); and
- PAC-BPA agreement to provide BPA 1000 MW of bi-directional capacity in the Summerlake – Malin Line.

3. Asset Exchanges

The Company and IPC have agreed to a collection of future asset exchanges and construction projects (“Asset Exchanges”), designed to be implemented if B2H is energized. The proposed Asset Exchanges are:

- IPC will transfer to the Company transmission assets between Midpoint and Borah for 300 MW west-to-east capacity;
- IPC will transfer to the Company transmission assets between Borah and Hemingway for 600 MW east-to-west capacity;
- The Company will transfer to IPC transmission assets between Populus and Four Corners for 200 MW of bi-directional capacity;
- The Company will transfer to IPC transmission assets in the Goshen area;
- IPC will construct the Midpoint 500/345-kV transformer project; and
- IPC will construct the Kinport-Midpoint 345-kV series capacitor project.

4. Miscellaneous Agreements

Miscellaneous other agreements between the three entities will go into effect at various times:

- BPA will transfer to the Company two 100 MW PTP Transmission Service Agreements (“TSA(s)”) it has with IPC;
- IPC will buy out BPA’s 24 percent ownership share of B2H, increasing IPC’s ownership and funding responsibility to 45 percent. IPC will also reimburse BPA for its share of the permitting expenses incurred over the last decade.
- In return for IPC’s buyout, BPA will commit to purchasing long term TSAs from IPC to deliver power to BPA’s customers in southeastern Idaho; and
- IPC and BPA will establish a 500 MW PTP TSA from the Mid-Columbia (“Mid-C”) market hub to the proposed Longhorn substation.

CPCN Analysis

Staff recommended that the Commission grant a CPCN for the Company to construct the B2H. Staff also recommended that the Commission clarify that the CPCN does not include the other agreements described in the Application, and those other agreements should be submitted for separate approval if, and when, appropriate. Staff recommended that when the Company does file for recovery of actual cost, it should include evidence of its pursuit of government funding sources for the project.

For authority to construct or extend a transmission line, *Idaho Code* § 61-526 requires the Company to obtain “from the Commission a certificate that the present or future public convenience and necessity require or will require such construction.” Additionally, the Company must show “the financial ability and good faith...and necessity of additional service in the community.” *Idaho Code* § 61-528.

Staff believed the Company has repeatedly demonstrated its financial ability to obtain capital for a project of this scale. Staff also accepted the Company's assertion that the financial investment for the B2H will not impair its ability to provide safe and reliable electricity service at reasonable rates. Further, based upon the Company's submitted documentation and representations, Staff believed that the Company's assertion of need is reasonable.

However, Staff noted that the Company is not seeking a CPCN for the Central Oregon Agreements, the Asset Exchanges, or the other miscellaneous agreements. Staff recommended that the Commission clearly state that CPCN approval does not implicitly approve the other agreements, such as the Asset Exchanges, and that the Company should file applications for Commission approval when appropriate.

B2H as a Solution

The Company represented that it expects B2H to provide 300 MW of west-to-east transmission capacity and 818 MW of east-to-west transmission capacity, which will help the Company serve its customer load across both balancing authority areas. Staff's analysis identified that the effectiveness of B2H will depend on its successful construction, and on other agreements that are external to the transmission line. For the Company, the Asset Exchanges and the Central Oregon Agreements are also essential to meet the system need.

Assuming the project and the related actions are completed, Staff concluded that B2H will resolve the system need. However, given that the additional agreements will require separate Commission approval, Staff recommended granting approval of the CPCN but making recovery contingent on the Commission's approval of those additional agreements.

Staff reviewed the cost of B2H against the next least-cost alternative to assess the decisional prudence of the project. From this review, Staff believed that selecting B2H was a prudent decision. For operational prudence, Staff represented that it will review the actual project costs once the Company files a subsequent case seeking recovery.¹

Separately, Staff is concerned that the Company has not pursued alternative funding such as grants that could potentially reduce the impact to ratepayers. Staff recommended that when the Company seeks recovery of costs for the B2H, the Company should provide evidence of

¹ Decisional prudence is a determination that the "decision" to move forward with an investment is based on need and in this case is the least cost alternative. Operational Prudence is a determination that the Company implemented the investment in a least-cost manner.

conducting investigations, analyses, and/or applications for grants or alternative funding from federal, state, or local agencies.

Risks and Soft Cap

Staff recommended that the Commission establish a soft cap, as reflected in response to Production Request No. 3(b) and as shown in Confidential Staff Attachment A that was attached to Staff’s comments, for the recoverable cost of constructing the project.

Staff believed that the total cost of the project plus any additional cost necessary to meet load if the project fails to stay on schedule should be part of the all-in total B2H costs that will be compared to the established soft cap. Staff reasoned that the soft cap should be the threshold that will require the Company to provide robust justification for construction costs over the cap to receive recovery.

Staff believed the Company faces significant risks throughout the entire project life cycle that may ultimately impact customers. Table No. 1 summarizes the three types of project risk and the key issues contributing to them.

Table No. 1: Project Risks

Capability Risks	Schedule Risks	Cost Risks
<i>Longhorn Substation:</i> B2H will be unusable without this interconnection.	<i>Longhorn Substation:</i> The permitting process is in progress and the construction timeline is unknown.	<i>Longhorn Substation:</i> The cost of an alternative is unknown.
<i>ROW Acquisitions:</i> B2H cannot be built without the ROW(s).	<i>ROW Acquisitions:</i> ROW delays might delay construction, especially if legal action becomes necessary.	<i>ROW Acquisitions:</i> ROW negotiations have the potential to increase costs.
<i>Boardman-Ione (“B-I”) Alternate Transmission Path:</i> B2H cannot be completed without relocating this line.	<i>B-I Alternate Transmission Path:</i> An alternate line is in the early stages of permitting, followed by construction of the line, then demolition of the old line.	<i>B-I Alternate Transmission Path:</i> The alternate path and cost are not certain, and environmental mitigation may be required.
	<i>Supply Chain:</i> Substantial delays exist for key project materials.	<i>Inflation:</i> High inflation persists, especially for key project materials.
	<i>Outstanding Permits:</i> Various project permits are outstanding, and delays are typical.	

1. Project Capability Risk

Project capability risk is the risk that an essential part of the project cannot be completed, thereby preventing completion of the overall project. Without proper interconnection, B2H will not be usable. Staff identified three capability risk issues for B2H: (1) Construction of the Longhorn substation; (2) Acquisition of the ROWs to construct B2H; and (3) Establishment of an alternate transmission path for BPA's B-I line.

Although any of these issues, or other unforeseen issues, could prevent the successful completion of B2H, Staff assumed that the Company would find a workaround to complete the project and make it useful. Staff concluded that these capability risks may translate into increased project costs and/or schedule growth. Therefore, Staff made no recommendation for capability risk.

2. Project Schedule Risk

Project schedule risk is that risk that delays may manifest as cost risk to ratepayers. Staff identified five risk issues that have potential to delay the overall project schedule: (1) Construction of the Longhorn substation; (2) ROW acquisitions for B2H; (3) The B-I alternate transmission path; (4) Supply chain delays; and (5) Outstanding permits.

The current planned in-service date for B2H is June 1, 2026. If B2H is not online at that time, the Company may need to incur additional expenses outside of B2H to provide additional capacity for the central Oregon load growth. Staff recommended that if circumstances delay the project beyond the planned in-service date, the Commission should require the Company to track and report any expenses incurred outside of B2H to cover central Oregon capacity deficits until B2H is online. Staff believed that these expenses should be part of the all-in total B2H costs compared to the soft cap limit.

3. Project Cost Risk

Project cost overruns represent a direct risk to ratepayers, who will be asked to recover the full cost. Staff identified four cost risk issues that have potential to drive the project cost beyond the current estimate: (1) The Longhorn substation; (2) ROW acquisitions; (3) The B-I alternate transmission path; and (4) Inflation.

Staff explained that the Company has retained experienced engineering firms to refine the project estimate and has shown due diligence in responsibly estimating the project cost. The

Company has also established cost control policies, in cooperation with IPC, to provide reasonable oversight of the project costs.

However, to further protect customers, Staff recommended that the Commission place a soft cap on the project in accordance with the Application estimate. If the final project cost exceeds the soft cap, the Company should provide convincing evidence of its efforts to remain within the cap, the reasons it had to exceed the cap, and justify any overages at the time recovery is requested.

Quantifying the cost of a complex project like B2H requires careful attention to many details. Items that must be specified include the date of the estimate, major construction features, contingency markups, shared and unshared costs between partners, financing costs, and taxes. Staff requested that the Company provide a detailed breakdown of these costs in Production Request No. 3, but the Company only provided the bottom line total, sub-divided into direct and overhead costs.

Staff recommended that the Commission use the Company's bottom line total estimate as the soft cap for any future recovery. Staff also recommended that the Commission require the Company to provide a detailed breakdown of the cost components in a subsequent compliance filing. This detailed breakdown will provide benchmarks to assist Staff and the Company in any future cost recovery filing. Staff believed that the Company should consult with Staff to determine an appropriate level of cost component breakdown.

4. Other Risk

Staff identified and analyzed several other risks that are *external* to the construction of the project but may result in unrealized benefits after the project is put into operation. These risks include the Asset Exchanges, and the Central Oregon Agreements. However, Staff believed its analysis of these costs and benefits from the project supports the CPCN when comparing it to the costs and benefits of the next best alternative. Staff recommended that recovery for the cost of the project be contingent on both the Company and IPC obtaining Commission approval of the Asset Exchanges.

PUBLIC COMMENTS

The Commission received three (3) public comments in this case, two (2) comments in favor of the Project, and one (1) comment opposed.

BAYER COMMENTS

Bayer noted that the Company has also requested a non-situs CPCN for B2H from the Wyoming Public Service Commission (“WPSC”) in Docket No. 20000-631-EN-23, and that a Stipulation and Settlement Agreement between the Company and the Wyoming Industrial Energy Consumers (“WIEC”) was reached on April 17, 2023, regarding the Company’s B2H application before the WPSC to address certain issues raised by WIEC.

Bayer recommended that the Commission require the Company to provide similar protections to customers in Idaho that have been proposed in Wyoming in its Stipulation and Settlement Agreement with WIEC. Specifically, Bayer requested that the Commission:

- a. require the Company to preserve all analyses, studies and documents pertaining to its Application, including studies related to B2H in PacifiCorp’s 2021 Integrated Resource Plan (“IRP”) and 2021 IRP Update, until the conclusion of the rate case in Idaho.
- b. require the Company to agree to preserve all analyses, studies and documents pertaining to its Application, including studies related to B2H in PacifiCorp’s 2023 Application for Approval of 2023 IRP, until the conclusion of the rate case in Idaho.
- c. condition approval such that the issuance of a CPCN will not predetermine any ratemaking issues for B2H, including the prudence of B2H’s construction, the reasonableness of B2H’s costs recovered from Idaho ratepayers, findings concerning the public interest or non-detriment of the provision of adequate and reliable electric service of the B2H, and the allocation of B2H’s costs to the Company’s Idaho customers.
- d. not apply Mr. Rick T. Link’s testimony, concerning a forecast of the change in nominal revenue requirement due to B2H, to any ratemaking issues for B2H.

IIPA COMMENTS

IIPA represented that nearly one-third of IIPA’s members are customers of the Company. As customers, IIPA’s primary interest in this docket is to ensure that the Company provides safe, reliable, and low-cost energy. A portion of IIPA’s members also provide valuable demand response service to the Company. IIPA’s secondary interest in this proceeding assesses the impact of B2H on the Company’s demand response program. IIPA represented that it was generally supportive of B2H. However, IIPA has not performed a comprehensive analysis and validation of the Company’s models and analysis of project design or economics.

Based upon its review of the Application including issue of Energy Costs, System Reliability, and the impact on Irrigation Demand Response, IIPA believed that a CPCN for B2H is in the public interest and should be issued by the Commission.

COMPANY REPLY COMMENTS

With respect to Staff's comments, the Company only objected to Staff's recommendation for a soft cap. The Company represented that the Asset Exchanges would take effect upon energization of B2H and therefore the Company would seek Commission approval before that point, in advance of seeking cost recovery. The Company expected to demonstrate the prudence of its actual costs when seeking cost recovery for B2H.

The Company was prepared to demonstrate that it had diligently pursued alternative funding sources for B2H. The Company represented that because B2H is already in the advanced stages of planning, it is not currently eligible for federal funding. However, if new funding becomes available or guidelines for existing funding sources change, the Company will pursue these opportunities.

The Company did not agree that a soft cap was necessary and expected to demonstrate the prudence and cost-effectiveness of the entirety of its actual investment in B2H. However, if the Commission chose to impose a soft cap, the Company did not object to working with Staff to provide a more detailed breakdown of its cost estimate in a subsequent compliance filing.

With respect to IIPA's comments, the Company agreed with IIPA's overall recommendation; however, the Company has not independently verified IIPA's economic analysis. The Company represented that its economic analysis is set forth in Rick T. Link's testimony and provides the Company's estimation of net customer benefits supporting the decision to move forward with B2H.

With respect to Bayer's comments, the Company partially agreed to Bayer's recommendations. The Company noted that there are some differences in the CPCN statutes in Idaho and Wyoming that render certain Stipulation provisions inapplicable in this case.

The Company did not object to Bayer's first and second recommended conditions, which relate to the production and preservation of records and largely mirror a similar commitment made in the Wyoming Stipulation. However, the Company objected to Bayer's third condition because it asked that the Commission make no findings concerning the public interest even though a public interest determination is central to the Commission's review of a CPCN under *Idaho Code* § 61-526. The Company represented that Bayer's condition is inconsistent with the Wyoming Stipulation because Bayer seeks to preclude the prudence and public interest determinations required to satisfy the need standard under Wyoming's non-situs CPCN statute.

The Company objected to Bayer's fourth recommendation regarding the testimony of Mr. Rick T. Link. The Company argued that Bayer provided nothing explaining what this recommendation was intended to do, how it would be applied, or why it was necessary. The Company believed that the recommendation was unclear and appears entirely unnecessary, and it should be rejected.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503.

1. Necessity of the CPCN

Public utilities shall "furnish, provide and maintain such service, instrumentalities, equipment and facilities as shall promote the health, safety, comfort and convenience of its patrons, employees and the public, and as shall be in all respects adequate, efficient, just and reasonable." *Idaho Code* § 61-302.

Before constructing "a line, plant, or system," a public utility providing electrical service must obtain a CPCN from the Commission establishing that the "public convenience and necessity" requires it. *Idaho Code* § 61-526. Pursuant to Idaho Commission Rule of Procedure 112, existing utilities applying for the issuance a CPCN under *Idaho Code* § 61-526 must submit any relevant data including: (1) a Statement and Explanation; (2) a Description of Construction or Expansion; (3) a Map; (4) a Financial Statement and Construction Timelines; and (5) Cost Estimates and Revenue Requirements.

Having reviewed the Application, the record, the comments of the parties, and all submitted materials, the Commission finds that the Company has satisfied the requirements for a CPCN and finds that the present and future public interest is served by and requires construction of the Boardman-to-Hemingway 500-kV transmission line project in the manner, time frame, and at the location proposed. *Idaho Code* § 61-526; Rule 112. The Commission makes no findings with respect to any other agreements or transfers contained, referenced, or described in the Application, and any such other agreement shall be subject to future Commission review as applicable.

2. Soft Cap and Future Recovery

Staff recommends that the Commission establish a soft cap for the recoverable cost of constructing B2H, and Staff believes that the actual cost of the Project, plus any additional cost necessary to meet load if the Project fails to stay on schedule, should be the total B2H costs compared to the established soft cap when the Company seeks recovery. The Company does not believe that a soft cap is necessary as it expects to demonstrate the prudence and cost-effectiveness of the entirety of its actual investment in B2H; however, the Company does not object to working with Staff to provide a more detailed breakdown of its cost estimate in a subsequent compliance filing.

Based upon the risks the Company faces throughout the project life cycle, the impact those risks may have on customers, and the requirement of future Commission approval for any other relevant agreements that may be necessary for the Company and customers to obtain the full benefits of B2H, the Commission finds it fair, just, and reasonable to establish a soft cap on the recovery of costs in the amount of the Company's estimated costs as calculated in the Company's Application and testimony. Vail, Di at 10. In the future the Company should expect to provide detailed support and justification when it comes before the Commission seeking recovery for any costs over the established soft cap. The Company shall work with Staff to provide a separate filing in this case with a detailed breakdown of the soft cap cost components.

When the Company does seek recovery of costs for the B2H, the Company shall provide evidence of the Company's investigations; analyses; applications for grants; or any attempts the Company made to secure alternative funding from federal, state, or local agencies. The Commission also expects the Company to preserve all analyses, studies and documents pertaining to its Application, including studies related to B2H in the Company's 2021 IRP; the 2021 IRP Update, and the Company's 2023 IRP until the conclusion of any recovery proceedings.

ORDER

IT IS HEREBY ORDERED that the Company's Application for a Certificate of Convenience and Necessity authorizing construction of the Boardman-to-Hemmingway 500-kV Transmission Line is granted.

IT IS FURTHER ORDERED that the Commission establishes a soft cap for the recoverable cost of constructing B2H in the amount of the Company's estimated costs as calculated in the Company's Application and testimony. Vail, Di at 10.

IT IS FURTHER ORDERED that the Company shall work with Staff to submit a separate filing in this case within sixty (60) days that provides a detailed breakdown of the soft cap cost components.

IT IS FURTHER ORDERED that upon seeking recovery, the Company shall provide evidence of its pursuit of alternative funding sources for the B2H.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 30th day of June 2023.



ERIC ANDERSON, PRESIDENT

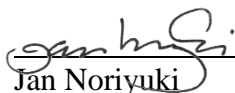


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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